



Mr Wong Mun Hoong
Regional Chief Executive Officer,
Australia & North Asia

Land of the Rising Sun: Opportunities and Growth in Japan

“ As we navigate the challenging economic environment globally, Japan remains a resilient market that is tried and tested for investors aiming to invest in quality assets that provide good, risk-adjusted returns in the long run. Mapletree is focused on strengthening our foothold in this region to bring value to our investors through exposure to the country’s real estate sector. ”

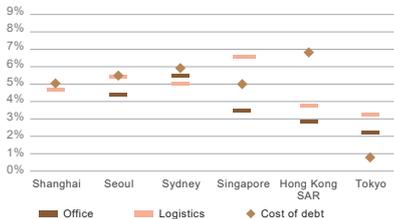
Macro Monitor

Investment Hotspot of 2023

As one of the world’s most dynamic and liquid real estate markets, Japan has continuously attracted global institutional investors into the country, with total foreign investments in real estate increasing by 45% in the first half of 2023. This is in stark contrast with the rest of the world, where investment volumes in the Americas region and Europe declined 61% and 58% year-on-year (y-o-y) respectively, according to JLL.

Geopolitical tensions have also shifted investors’ focus to a more stable region, such as Asia Pacific. Tokyo in particular, has topped the list of APAC cities for cross-border real estate investments for four consecutive years. With the interest rate environment remaining low in the near term, Japan remains the only developed market of scale with positive investment spreads in real estate asset classes’ yields to risk free rates.

Asia Pacific property yields and cost of debt



Source: JLL, Q3 2023; respective costs of debt based on floating rates

Consequently, the Japanese Yen (JPY) has depreciated to an all time low against major currencies, making entry into Japan investments more compelling. The Bank of Japan has continued to maintain a dovish monetary policy, prioritising the need for sustained real inflation and economic growth in the country. Although increases in interest rates are anticipated, they are expected to be more measured.

Notably, foreign and domestic investment volumes increased y-o-y in 1H 2023 as compared to 1H 2022, with domestic investors pivoting their allocation back into Japan as a result of the devalued JPY making overseas investments more expensive.

Depreciation of APAC currencies against USD



Source: Bloomberg, as at September 23

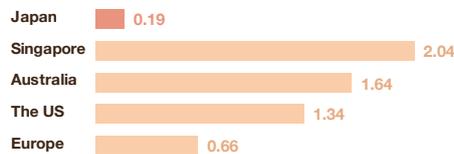
Real Views

Fuelled by Fundamental Demand

With increasing uncertainty in the global economic and geopolitical climate, Japan’s real estate sector stands out with its resilience and depth across multiple investible asset classes as well as liquidity in the market.

Logistics is increasingly a focal point for investors. The demand for warehouse space in Japan has undergone a structural shift fueled by the surge in e-commerce and third-party logistics players. E-commerce sales in Japan in the past 15 years grown by a compound annual growth rate of more than 10%. To meet the demands of modern e-commerce operations, tenants are now seeking larger and modern warehouses, which are underserved in Japanese markets.

Japan’s low prime logistics real estate space per capita vs other major developed markets (sqm)

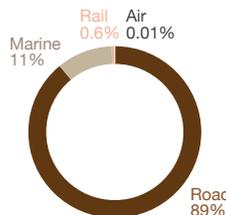


Source: JLL

In addition, supportive regulatory changes, such as the recent stricter overtime regulations for truck drivers - dubbed the “2024 problem” - will create expanded demand for modern logistics facilities.

Japan largely relies on road transportation for domestic freight. The “2024 problem” is expected to drive demand for logistics warehouses in Japan, such as additional warehousing space strategically located along transportation routes.

Total domestic freight by volume (tonnes), divided by method of transportation



Source: CBRE

Mapletree’s Approach

A Firm Foothold

Since 2007, Mapletree has been acquiring, developing, and managing quality assets across Japan. The Group’s conviction in this country is reflected in the growth of its portfolio which spans across commercial, logistics and data centres, with the acquisition of a S\$508 million data centre in downtown Osaka, by Mapletree Industrial Trust (MIT) in September 2023.

Mapletree’s local office in Tokyo has been established since 2005, supporting its broadening presence and enhancing its relationships with stakeholders on the ground. Leveraging its comprehensive real estate capabilities, the Group is well equipped to continue looking for opportunities to grow its Japan portfolio over the long term.



Staff from the Japan office volunteered to clean up two parks in Tokyo’s Ota Ward: Heiwanomori Park and Miyakobori Park.

Building upon the successes of Mapletree previous Japan funds - MJLD and MJOF*, which delivered in excess of 20% IRR, the Group is currently developing a second Japan logistics private fund, Mapletree Japan Investment Country Fund (MAJIC). This fund will build on Mapletree’s proven success in logistics development, further solidifying its focus on this strategic and successful asset class in Japan’s real estate market.



Mapletree Chikushino Logistics Centre Phase 1 is the Group’s first foray into the Japanese logistics real estate market in Kyushu.

*MJLD: a Japan-focused logistics development fund;
MJOF: a Japan-focused office fund

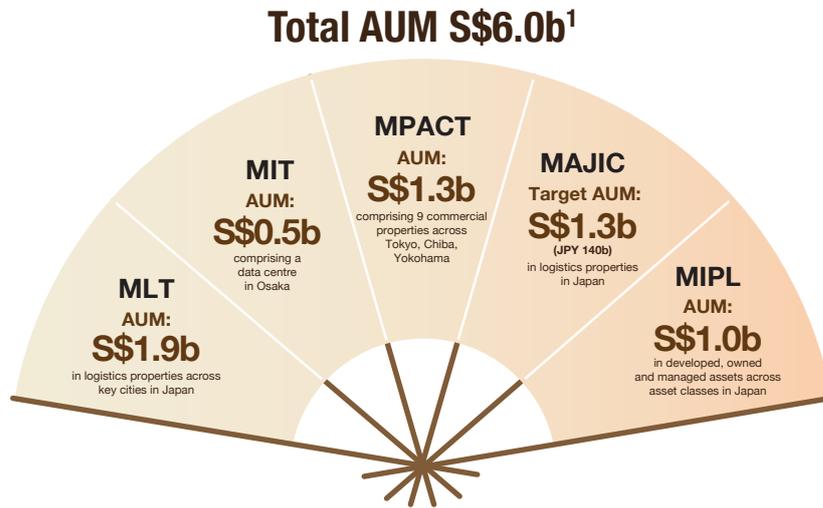
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Sector Spotlight: Japan



What We Have



Full real estate value chain



>16 years of experience



60 staff in Japan



> 23% IRR²
for Mapletree's previous Japan fund exits, MJLD and MJOF

¹As at 30 September 2023. AUM definition includes current valuation of investment properties and total development cost of development projects.
²Post tax and all fees including Manager's Performance Fees
³Mapletree Logistics Trust (MLT); Mapletree Industrial Trust (MIT); Mapletree Pan Asia Commercial Trust (MPACT); Mapletree Japan Investment Country Fund (MAJIC); Mapletree Investments Pte Ltd (MIPL)

Overview

Country Outlook	Sector Outlook	Mapletree's Japan Portfolio																							
<p>JAPAN'S GDP GROWTH AND INFLATION RATE</p> <table border="1"> <thead> <tr> <th></th> <th>2011</th> <th>2015</th> <th>2019</th> <th>2023E</th> </tr> </thead> <tbody> <tr> <td>GDP Growth Rate</td> <td>0%</td> <td>1.6%</td> <td>-0.4%</td> <td>2.0%</td> </tr> <tr> <td>Inflation Rate</td> <td>-0.3%</td> <td>0.8%</td> <td>0.5%</td> <td>3.2%</td> </tr> </tbody> </table> <p>After a prolonged period of economic stagnation, Japan has emerged with renewed vigour, with sustained economic growth and inflation finally transpiring.</p>		2011	2015	2019	2023E	GDP Growth Rate	0%	1.6%	-0.4%	2.0%	Inflation Rate	-0.3%	0.8%	0.5%	3.2%	<p>CAP RATES FOR COMPLETED ASSETS</p> <table border="1"> <thead> <tr> <th>Asset Class</th> <th>Cap Rate</th> </tr> </thead> <tbody> <tr> <td>Data Centre</td> <td>4.5-5.5%³</td> </tr> <tr> <td>Logistics</td> <td>3.5-4.0%</td> </tr> <tr> <td>Commercial⁴</td> <td>3.0-3.5%</td> </tr> </tbody> </table> <p>³For powered shell data centres in the Greater Tokyo region (non-CBD); newly tracked asset class in Japan hence in the midst of marking-to-market (cap rate expectations compressing rapidly on relative basis). ⁴Includes retail and mixed-use.</p> <p>Development assets offer a higher yield-on-cost over the risk-free rate, and are better placed to access the near to medium term market growth.</p> <p>In the logistics sector, while certain sub-markets in Greater Tokyo are facing slight rental adjustments due to an influx in new supply, rents in other major markets across Japan are expected to see continued growth.</p>	Asset Class	Cap Rate	Data Centre	4.5-5.5% ³	Logistics	3.5-4.0%	Commercial ⁴	3.0-3.5%	<p>Mapletree's Japan Portfolio</p> <p>Others 10% Data Centre 8% Commercial 25% Logistics 57%</p> <p>\$6.0b Total AUM</p> <p>With favourable macroeconomic conditions in Japan, Mapletree remains committed to deploy capital in the country. Its full suite of services across the real estate chain and different asset classes in Japan will drive value to investor returns, in development and investment properties.</p>
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“Mapletree's fund management track record in Japan is a testament to the team's extensive experience and knowledge of the real estate sector in the market. Since the Group's entry into Japan, we have deepened our footprint across asset classes with the goal of maintaining a strong development pipeline and adding value to its real estate sector.”

Mr Osamu Pedro Ebinuma
CEO, Japan



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